

A TFSA after 60: withdrawals that GIS and the OAS recovery tax do not count

Money taken out of a Tax-Free Savings Account (TFSA) is not taxed and is not counted as income for the Guaranteed Income Supplement or the OAS recovery tax. A TFSA has no upper age limit and no required yearly withdrawal. The 2026 contribution limit is \$7,000, and amounts withdrawn are added back to contribution room on January 1 of the next year.

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A TFSA withdrawal is left out of the income that sets GIS and the recovery tax

Two withdrawals of \$5,000 each, made on the same day by a 70-year-old, can have very different results. One comes from a registered retirement income fund (RRIF), and the other comes from a Tax-Free Savings Account (TFSA). Under Canada Revenue Agency (CRA) rules, RRIF payments are reported as income on the tax return ¹. TFSA withdrawals, and the interest, dividends, and capital gains earned inside the account, are generally tax-free ².

The CRA says TFSAs have no effect on Old Age Security (OAS) or the Guaranteed Income Supplement (GIS) ². It also says money can be withdrawn at any time, for any reason, without affecting eligibility for federal benefits and credits ². The GIS is a monthly payment for people with a low income who receive OAS.

This matters because the GIS is worked out from income in the previous year ³. For GIS payments from October to December 2026, a single, widowed, or divorced person needs a 2025 income below \$23,112 to receive it ³. A RRIF withdrawal adds to that income and can lower the GIS paid the next year. A TFSA withdrawal of the same size does not.

The OAS recovery tax, often called the clawback, takes back 15% of net income above a yearly threshold, which is \$93,454 for 2025 income and \$95,323 for 2026 income ⁴. Because the CRA says TFSA income does not affect federal income-tested benefits ², a TFSA withdrawal does not add to the recovery tax either.

A TFSA has no upper age limit and no required withdrawal

To open a TFSA, a person has to be a resident of Canada for tax purposes, be 18 or older, and have a valid social insurance number ⁵. The CRA lists a minimum age but no maximum age. The Income Tax Act sets a minimum age of 18 for a TFSA holder ⁶.

A RRIF works differently. Starting in the year after a RRIF is set up, the owner has to be paid a yearly minimum amount ¹. A TFSA has no minimum payment of this kind, and the money can stay in the account for life.

For people over 71, the two rules can be used together. A RRIF payment that is not needed for living costs is still taxed in the year it is paid. After that, the money left over can be put into a TFSA if the person has room. Any growth from then on is sheltered from tax and is not counted for GIS or the recovery tax ².

Contribution room grows each January and comes back after a withdrawal

Contribution room is the most a person can put into their TFSAs. The CRA sets a dollar limit each year, and the limit for 2026 is \$7,000 ⁷. Unused room carries forward ⁷.

A withdrawal also creates new room, but not right away. The amount taken out is added back on January 1 of the following year ⁷. For example, someone with no unused room who withdraws \$4,000 in October 2026 can put that \$4,000 back in January 2027. If they put it back in November 2026 instead, it may count as an excess amount.

An excess amount is money in a TFSA beyond the person's room. The CRA taxes it at 1% a month for as long as it stays in the account ⁸. The CRA updates its own record of each person's room once a year, in the spring. For that reason, the CRA advises people to use their own financial records to work out their room ⁷.

The room shown in a CRA account early in the year may not include withdrawals or contributions made in the last year. Bank or investment statements show the more recent transactions.

At death, a spouse named as successor holder becomes the new owner of the TFSA

A TFSA contract can name a person to receive the account when the holder dies. The CRA describes two kinds of people who can be named.

- A successor holder, who takes over the TFSA itself ⁹.
- A designated beneficiary, who receives the money from the TFSA ¹⁰.

Under the Income Tax Act, only a survivor can take over as holder, and a survivor means a spouse or common-law partner at the time of death ⁶. A successor holder becomes the new owner right away ⁹. The value on the date of death and any later income stay sheltered from tax ⁹. The successor holder's own contribution room is not affected, as long as the deceased person's TFSA had no excess amount ⁹.

A designated beneficiary can be a spouse, a family member, another person, or an organization ¹⁰. The beneficiary pays no tax on the amount up to the fair market value at the date of death. Fair market value means what the investments were worth that day. Earnings made after the death and before the estate is settled are taxable ¹⁰.

A surviving spouse who is named only as a beneficiary still has an option. They can put the payment into their own TFSA as an exempt contribution, without using their own room ¹⁰. They have to send Form RC240 to the CRA within 30 days of making that contribution. Other

beneficiaries can add the money to their own TFSA only if they have room ¹⁰. The CRA also says a successor holder can be named in the will instead of the TFSA contract, if the will gives that person the same rights as the original holder ⁹.

Notes

1. Canada Revenue Agency, "Receiving income from a RRIF", page modified 2026-01-06. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-retirement-income-fund-rrif/receiving-income-a-rrif.html> (accessed 2026-10-06)
2. The page lists OAS, GIS, and Employment Insurance as federal benefits that TFSAs do not affect. Canada Revenue Agency, "What is a TFSA", page modified 2026-09-17. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/what.html> (accessed 2026-10-06)
3. Income limits for other situations, such as couples, are on the same page and in our GIS guide. Government of Canada, "Guaranteed Income Supplement: How much you could receive", page modified 2026-09-29. <https://www.canada.ca/en/services/benefits/publicpensions/old-age-security/guaranteed-income-supplement/benefit-amount.html> (accessed 2026-10-06)
4. Government of Canada, "Old Age Security pension recovery tax", page modified 2026-09-29. <https://www.canada.ca/en/services/benefits/publicpensions/old-age-security/recovery-tax.html> (accessed 2026-10-06)
5. The same page notes that some provinces require a person to be 19 to enter into a contract. Canada Revenue Agency, "Opening a TFSA", page modified 2025-10-10. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/opening.html> (accessed 2026-10-06)
6. Definitions of "holder" and "survivor" in subsection 146.2(1). Justice Laws Website, Government of Canada, "Income Tax Act, section 146.2", current to 2026-03-17. <https://laws-lois.justice.gc.ca/eng/acts/l-3.3/section-146.2.html> (accessed 2026-10-06)
7. Canada Revenue Agency, "Calculate your TFSA contribution room", page modified 2026-02-20. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributing/calculate-room.html> (accessed 2026-10-06)
8. Canada Revenue Agency, "If you over-contribute to a TFSA", page modified 2026-01-06. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributing/overcontribute.html> (accessed 2026-10-06)
9. Canada Revenue Agency, "If you are a successor holder of a TFSA", page modified 2026-02-20. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/death-of-holder/successor-holder.html> (accessed 2026-10-06)
10. Canada Revenue Agency, "If you are a designated beneficiary of a TFSA", page modified 2026-08-12. <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/death-of-holder/beneficiary.html> (accessed 2026-10-06)

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